

BRIEF ACTIONABLE RESEARCH AGENDA ON:

Enabling Policy Environment

EfD

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■ ■ Identifying policies and the corresponding actors, processes and methods that enable the creation of a policy environment are important to put climate and low-carbon energy transition policies in motion.

Enabling Policy Environment is part of a larger initiative to identify the most promising research issues to support an actionable low-carbon transition in the Global South.

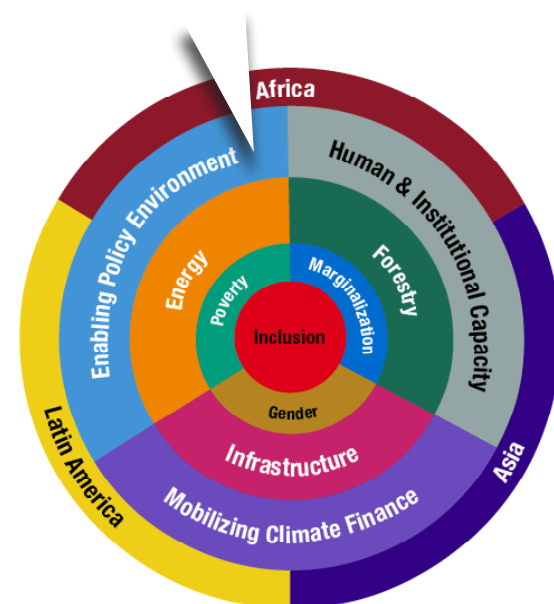
Aim: To identify effective policy instruments and develop strategies to support the enabling policy environments that will be necessary to achieve an inclusive low-carbon transition in the Global South.

Background: A low-carbon transition will require efficient policy coordination, context-specific policy instruments, and robust methods for evaluation of energy and gender equity impacts. Most importantly, policies will need to be not only effective but also politically acceptable, in order to manage the dynamics around the political economy of decarbonisation.

In developed countries, political will and policy coordination have been extensively examined under the theme of “political economy” with respect to environmental and climate policies. However, in the Global South, there is limited evidence contributing to understanding the political economy of energy transitions. Specifically, there are several actors, including institutions, that play a crucial role in enabling energy transition. The efficacy of policy environments is influenced both by the political actors and institutions that can influence the policy process and by the social actors that are recipients of the policy outcomes.

The process of policymaking benefits from research on the expected impacts before a policy is put in place (ex-ante assessment) and the evaluation of policy implementation (ex-post assessment), which allows for adaptation of the policy in response to implementation challenges. There is a lack of local mechanisms in the Global South countries to carry out this entire process effectively. Relatedly, most countries do not have the technical capacity to set up the measuring, reporting, and verification (MRV) framework to price carbon emissions from production and consumption processes. This calls for coordinated efforts between various departments and ministries.

Policy instruments need to be context-specific to be effective. For instance, transport fuel subsidies in the Global South tend not to benefit those intended – the poorest people – because the poorest are unlikely to own cars. By contrast, kerosene subsidies are important to



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many poor households. In contrast to subsidies, which reduce the price of energy, carbon taxes increase the price of energy. Research in the Global North suggests that public acceptance of carbon pricing is higher if the revenue is recycled by distributing it to the public or earmarking it for green projects. Similar research on public attitudes is scarce in developing countries.

A portfolio of policy instruments is found to work better than a single instrument to tackle issues around energy transition. However, this needs to be determined on a case-by-case basis. While taxing emissions is intended to curb fossil fuel use, this must be matched with incentives to adopt renewable energy and low-carbon options (in travel, industry, and housing). A favorable policy would target reducing emissions or increasing energy efficiency, and also account for impacts on household welfare, employment effects, and social justice.

Publicly available data on energy and environmental policies is limited, particularly for some West African countries, parts of East Asia, and many countries in Latin America. Detailed survey data for empirical analysis can be difficult to obtain and may not always be open to public access. In particular, data is lacking about the informal economy, which plays a large role in the poorest countries. The informal economy includes unemployed youth, rural fuel gatherers, microentrepreneurs, and urban households that share, or informally connect to, grid electricity. Without a better understanding of these marginalized populations, policy instruments may make their situation worse.

Opportunities for High-Impact Research

Environmental economics research often includes gathering, compiling, and analyzing data. In light of the data gaps discussed above, researchers have an important role to play in understanding more about the effects of low-carbon transition policies.

Research opportunities include identifying actors and objectives in order to understand the options and trade-offs needed to transition away from fossil fuel. For countries with fossil fuel endowments, research is needed to develop policies to fill the many roles played by fossil fuels, including energy, jobs, foreign exchange, and political approval through fuel subsidies.



Images: unsplash

Actor-objective analysis is needed to identify incentives for powerful interest groups to achieve their goals through cleaner technologies. Social acceptability studies that seek to understand the socio-political reactions towards low-carbon policies would be useful.

Researchers should provide decision-makers with a suite of policy options adapted to the local context. Existing knowledge from outside a country can inform local policies and analysis. Case studies and comparative assessments across regions can highlight best practices and common challenges. Pilot programs provide opportunities to adjust policies before implementing them nationally.

Research should be targeted to a country's resources, patterns of energy use, and development level. For instance, research in India and China should reflect that these middle-income countries are in various stages of planning, implementing, and evaluating emissions trading systems, renewable energy incentives, and electricity deregulation. By contrast, research in low-income countries should focus on expanding access to clean energy, while avoiding so-called "stranded assets" (outdated infrastructure) by leapfrogging to cleaner energy options.

Because of the great variety of country contexts, policy instruments, fuel types, and energy uses, targeted research is needed regarding the effects of policies on women and, in turn, the impact of women on policy implementation – considering that women are often responsible for household fuel use. The differentiated impact of sectoral policies such as transport, renewable energy, and urban energy on men and women will aid in creating an enabling environment for an inclusive low-carbon transition.

Improvements in policy design call for a comparison of how implemented policies have fared in comparison to their projected impact before implementation. This will also require interdisciplinary approaches to assessment, such as testing scenario-based climate modelling outcomes with socio-economic cost benefit analysis, or multi-criteria analysis, that brings together different perspectives to address common issues.

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